

USMCA Opportunities and the Future of Supply Chains

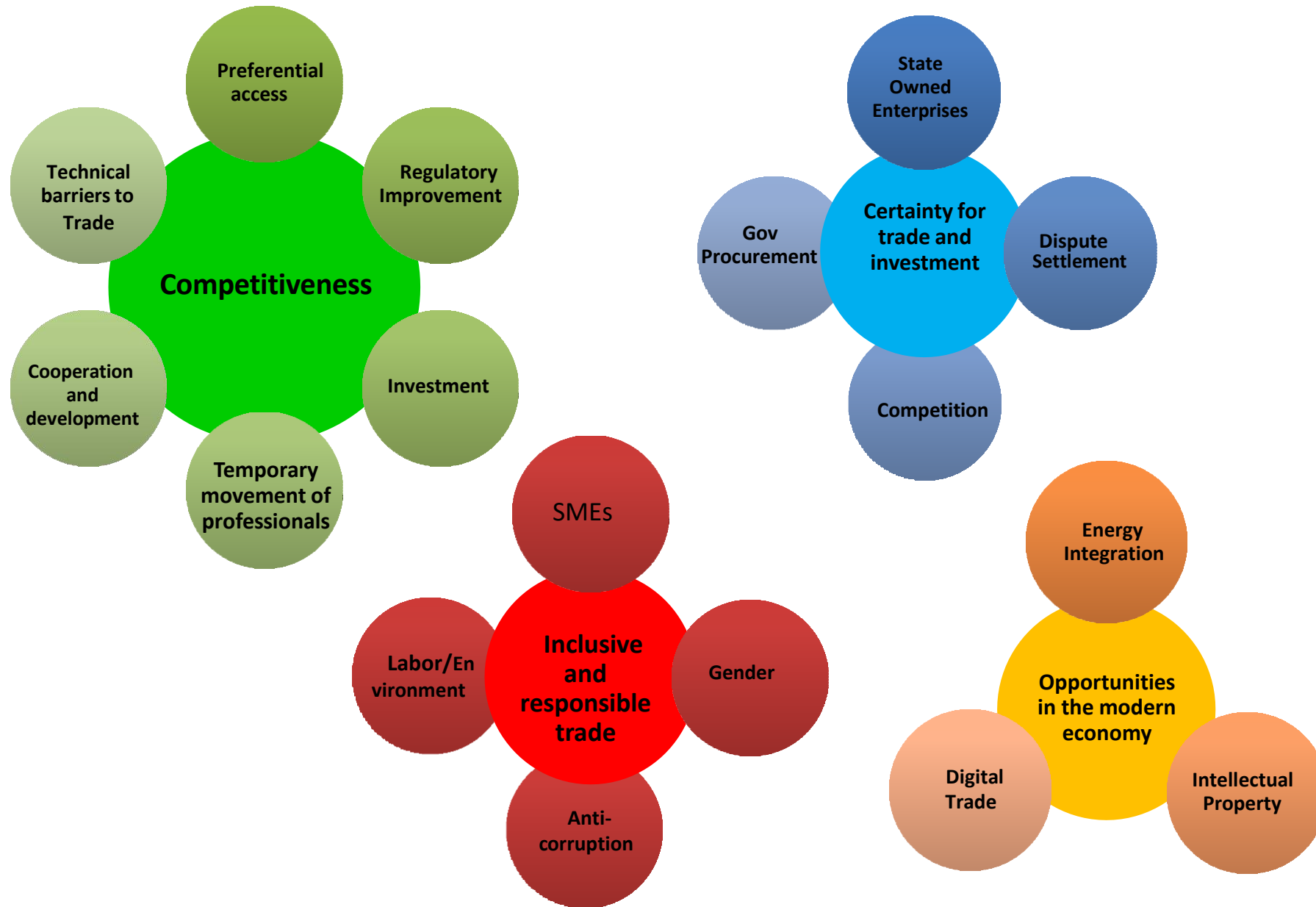
Kenneth Smith Ramos

Former USMCA Chief Negotiator for the Government of Mexico

Partner at Agon, Economía, Derecho, Estrategia

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Mexican Priorities for USMCA Negotiation



¿What did we achieve ?

1. Digital Trade

2. Telecommunications

3. Anticorruption

4. Competitiveness

5. SMEs

**New chapters
modernize
our
Agreement**

¿What did we achieve?

Agricultural Seasonality

Textiles

Access reduction for Government
Procurement

Trade deficit reduction goals

**Elimination of
unacceptable
US proposals**

What did we achieve?

Sunset Clause

Modified and with no sudden death

Rules of Origin in Automotive Sector

Guaranteeing free trade

Robust rules to promote regional integration

Insurance policy for Mexico in case of extraordinary measures (232)

Dispute Settlement Mechanism

We preserved:

Chapter XI (Investor-State)

Chapter XIX (AD/Subsidies)

Chapter XX (State-State)

**Agreement
On
Controversial
Issues**

Automotive Rules of Origin (Transitions)

¿Is there a transition period to comply with the new Rules of Origin?

Yes, there will be 4 increments. Transition: 3 to 7 years, depending on vehicle category

For heavy vehicles, a 7-year transition period

For light vehicles and pickups, a 3-year transition period

Transition Periods Timeline

Element	Entry into force (EIF)	1 year after EIF	2 years after EIF	3 years after EIF
RVC	66%	69%	72%	75%
LVC	30%	33%	36%	40%
Essential auto parts	66% NC*	69% NC	72% NC	75% NC
Principal auto parts	62.5% NC	65% NC	67.5% NC	70% NC
Complementary auto parts	62% NC	63% NC	64% NC	65% NC

*NC: Net Cost



Risks for Mexico in US Electoral Year

Agricultural Seasonality—Pressure by US Senate and letter by Amb. Lighthizer

Cascade of labor cases

Tariff increase threats

Paralyzed WTO

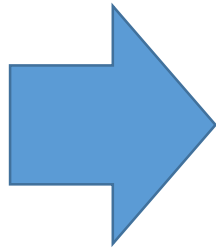
**Protectionist
tendencies in
US**

¿The end of Global Supply Chains?

“One of the things that this crisis has taught us ... is that we are dangerously over-dependent on a global supply chain for our medicines like penicillin, our medical supplies like masks, and our medical equipment like ventilators”— Peter Navarro, White House Advisor for International Trade & manufacturing

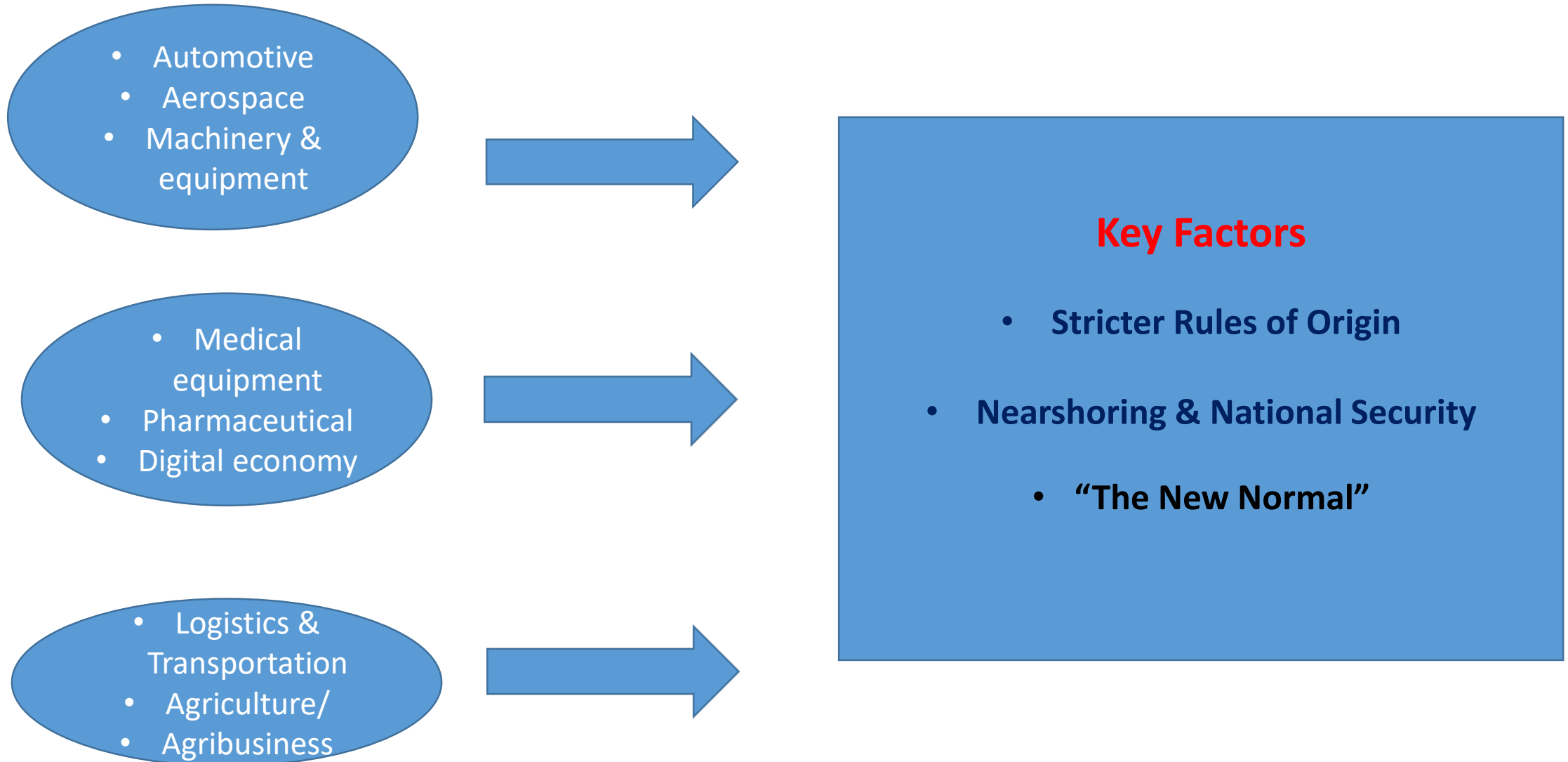
“The Era of Offshoring US Jobs is Over”—Robert Lighthizer, United States Trade Representative

Key element
for Mexico



**“Investing in Mexico is
Nearshoring”**

Sectors with great potential for attracting investment



Structural changes in world economy and trade war between US & China

Nearshoring Opportunity

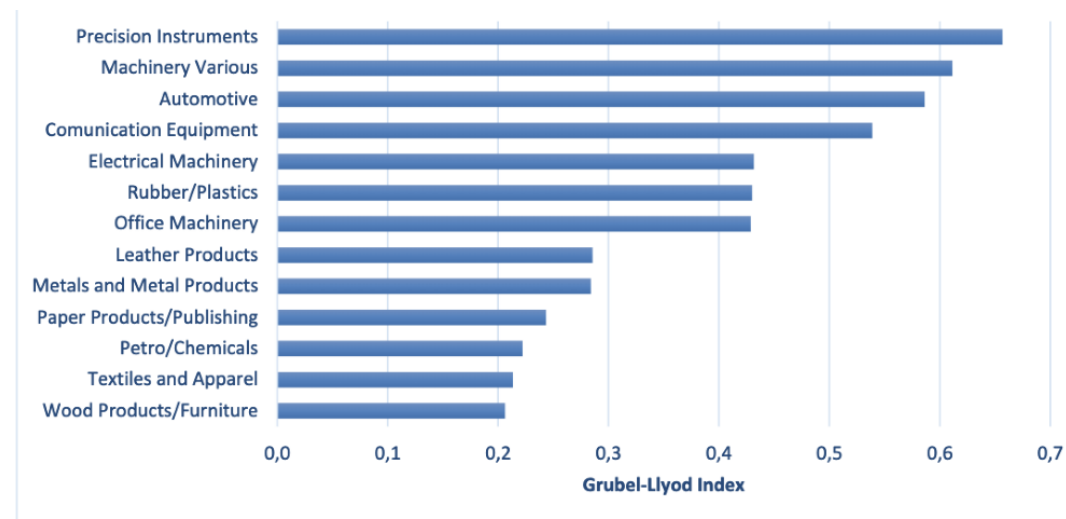
Mexico more attractive for foreign investment

Impact by Sector:

- Automotive US\$7,020M
- Telecoms Equipment US\$5,311M
- Electrical Machinery US\$4,837M
- Leather Goods US\$686M
- Machinery US\$9,485M
- Metals and Metal Products US\$3,064M
- Office Equipment US\$1,921M
- Paper Products US\$538M
- Chemicals US\$5,417M
- Precision Instruments US\$4,389M
- Plastic & Rubber US\$1,557M
- Textiles & Apparel US\$1,526M
- Furniture US\$2,050M

Integration of Chinese Products by Industrial Sector, UNCTAD

Using the Grubel-Lloyd Index, products with an index close to 1 show a higher level of integration of chinese components.



A 2% reduction in exports of intermediate Chinese inputs would lead to great opportunities for other countries across numerous sectors.

Investment Clusters

ELECTRICAL-ELECTRONIC

Northern Border; Guadalajara region

AUTOMOTIVE

Central Mexico; North-Northeast

MEDICAL EQUIPMENT / AEROSPACE

North-Northeast; Querétaro

R&D, BACK OFFICE

CDMX; Guadalajara; MTY; QRO; Mérida



**Ready for
Nearshoring**

USMCA Compliance Checklist



¿Next steps for Mexico?

**Correct implementation of
USMCA**

Firm position vis-a-vis US

CPTPP
Export
promotion and
investment
attraction

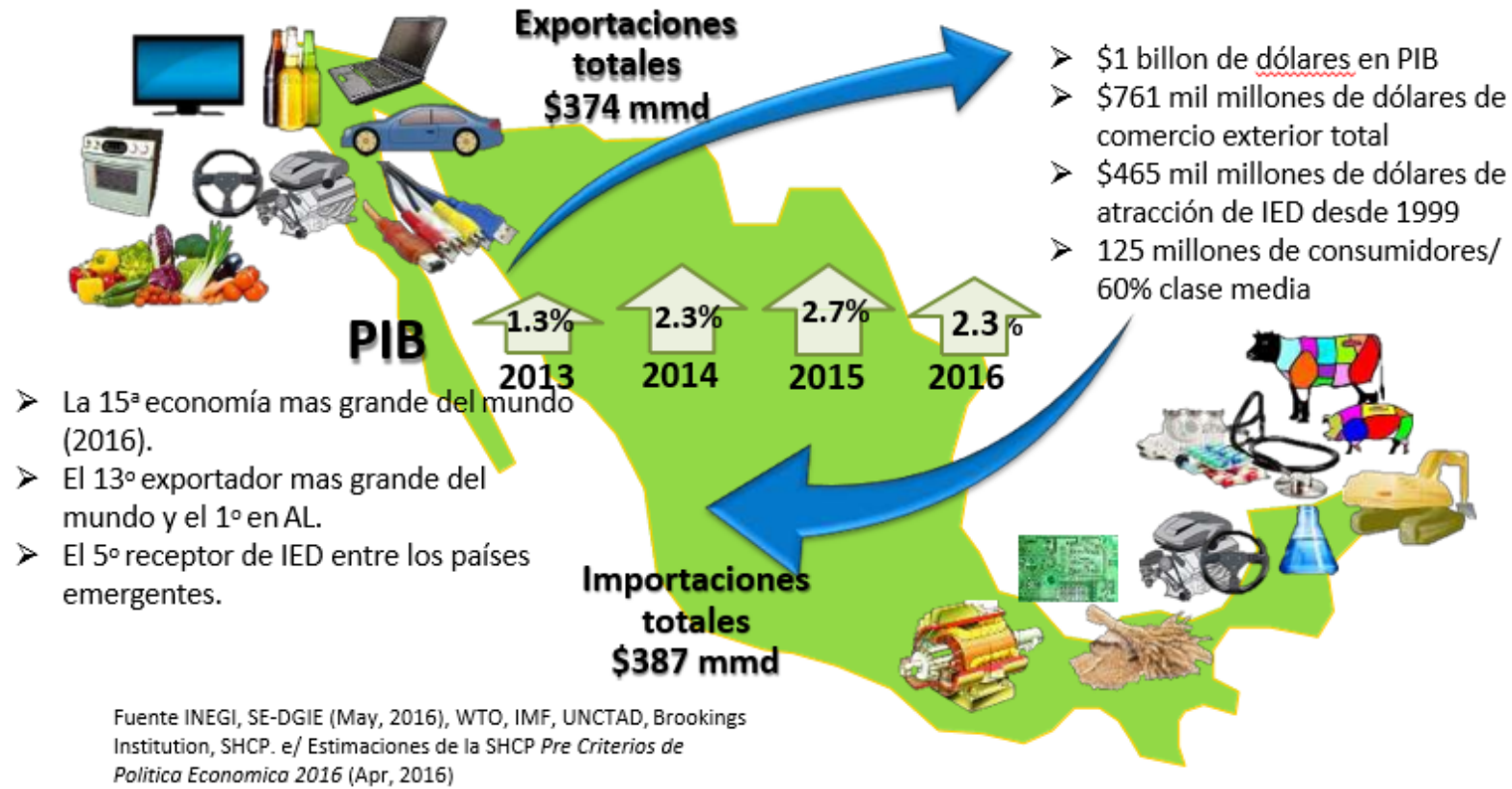


**Conclude
upgrading FTA
with EU**

Pacific Alliance
Export promotion and investment
attraction

**Negotiations with
Brazil and
Argentina**

The future: Mexico as a G7 economy in 2050?



- Mexico is open to the world: FTA Network
- Implementation of structural reforms
- Strengthening the Rule of Law
- Legal Certainty for national and international investors



Kenneth Smith Ramos

Partner

kenneth.smith@agon.mx



KenSmithramos